



February 27, 2018

Postal Regulatory Commission
901 New York Avenue, NW
Suite 200
Washington, DC 20268

Re: Docket RM 2017-3

Dear Commissioners:

As an USPS Strategic Account, BGE Ltd. spends well over Sixty Two Million Dollars (\$62,000,000) per year with the USPS, across a multiple product lines; First-Class, Marketing Mail Letters, Marketing Mail Flats, Business Reply and Parcels. In addition, we spend a significant amount of time and money maintaining a clean mailing list, exceeding the USPS requirements with respect to Move Update and hygiene and preparing our mail to achieve the deepest sort and drop-ship penetrations as possible. Now as result of the most recent shocking ruling by the Postal Regulatory Commission on ratemaking, we will be facing in the coming years substantial postal rate increases that will be devastating to our company and its employees, especially since BGE is an employee owned company. The compound effect of these increases over the next five years will significantly hinder our ability to maintain or grow business with the USPS. In addition, if current economic trends continue, the rate increase may well cause a devastating impact on our business, which could result in a total loss of over Sixty Two Million Dollars of revenue to the USPS and the loss of hundreds of jobs of our employees.

Overall the ratemaking methodology associated with PAEA has worked, rate increases have been predictable, there has been flexibility with each class, provided a mechanism for exigent circumstances and has provided the USPS with revenue to maintain universal service. While net earnings reported by the USPS are negative, this is an artifact of the arbitrary payment schedules to prefund the USPS' future liabilities for pension and health benefits for its retirees. The USPS' failure to meet an impossible prepayment schedule proves nothing about its financial health.

Your recommendation to "reimburse" the USPS by expanding the CPI cap to increase rates by an additional 2 basis points - double the current inflation rate - over each of the next 5 years is exceedingly too much for us and other mailers to absorb and find ways to mitigate. We are not in the position to simply "pass-on" these increases to our clients. Additionally, your allowance to provide additional price increase incentives for meeting productivity and service standards is illogical in that you are in essence rewarding the USPS for not doing the job that they should be doing. These incentives could easily be manipulated year over year so that one of the incentives is met every year thus mailers will continue pay these incentives year over year on a compounded basis - with no benefits to mailers.



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The most damaging impacts of the PRC filing is the substantial hit to Marketing Mail Flats. BGE Ltd is a large mailer in the Marketing Mail Flats category and is disappointed in the PRC's recommendation to impact rates in this category with a significantly higher increase. In 2007, the last time the flats category was subjected to a higher than normal rate increase, it created rate shock and caused catalog volumes to drop. To illustrate, our catalog volume in USPS FY 2008 was 70,000,000, in FY 2009 the volume dropped almost 15% to 60,000,000. For an agency that is dependent upon volume to exist, these type of rate increases will absolutely result in lost volume and lost business to USPS. We estimate that the proposed increase will result in loss of at least \$10,000,000 in business to USPS from our company alone.

Our desire is to continue to grow our business and as result with the USPS. While other companies have scaled back or in some cases, backed away completely from the mail, BGE Ltd. continues to embrace it as a viable marketing and communications channel. Our business touches a multitude of USPS products, thus any forced pull-back in the Marketing Mail category will have a negative multiplier effect on other categories that stems from this postage spend. In our business, less Marketing Mail expenditure will negatively impact spend both in Market Dominant (First-Class) and Competitive (parcels) categories.

We both can agree that we need the USPS to be healthy, but there needs to be a balance with respect to the increases mailers are being asked to absorb. Hence we are asking you to consider the impact of these rates on Marketing Mail volume and eliminate the rate authority you are giving the USPS to adjust postage rates over the next 5 years. We instead encourage the PRC to maintain the current CPI-U rate cap system while mailers and industry associations work with Congress to propose meaningful reform to remove the excessive costs that they have imposed on the USPS. Congress imposes costs on the USPS that it does not impose on other government entities.

Respectfully,

Steve Gustafson